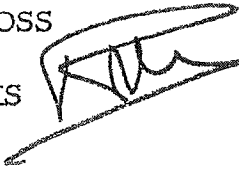


COUNCIL ON INTERNATIONAL ECONOMIC POLICY
WASHINGTON, D.C. 20500

February 8, 1974

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MEMORANDUM FOR: NORMAN ROSS
FROM: BOB MORRIS 
SUBJECT: Food Plan

This is a summary of where we stand and what we hope to accomplish as regards the international aspects of U.S. food (or, more broadly, agricultural) policy. As we see it, the coming international debate on food policy will focus on three highly inter-related issues concerning the production, demand and international distribution of food supplies:

- 1) Conditions under which international commercial trade will take place in future. This is probably the key to the whole exercise since trade conditions determine in large measure levels of production and productivity of our producers of most crop agriculture. (Specific negotiations to occur in the GATT multilateral trade negotiations, which will get underway in earnest after our trade bill passes--presumably by early summer).
- 2) Possible new international agreements concerning the creation, maintenance and release of stocks of key commodities (foodgrains, feedgrains, oilseeds and perhaps others such as cotton) for commercial trade purposes, either by governments or private traders. A sub-category here will probably be the issue of access to supplies and possibly new agreements on rules for long-term supply contracts. Again, specific agreements will have to be negotiated in the MTN since they will heavily influence commercial trading conditions and the degree to which trade may be liberalized.
- 3) Potential new arrangements on food aid to LDC's, including disaster relief and measures designed to increase agricultural productivity and fight malnutrition in LDC's. Much of the WFC

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discussion will center on this issue. However, given the fact that food aid is an alternative to commercial purchases, new rules or agreements on food aid practices by supplying and importing countries will have to be consistent with the arrangements developed for (1) and (2) above. Thus, specific agreements should be negotiated out in parallel with those on trade, stock and supply access policies.

We have two international fora in which these issues will be debated during the coming year: the WFC in November and the MTN (which will carry through 1975 and maybe longer). The agreed U.S. strategy is to limit the WFC to a definition of "general principles" which should govern international cooperation in the food area as that cooperation is worked out in matters of trade, stock and food aid policies. Specific agreements, translating these principles into operational practices, should be negotiated in the MTN.

This strategy is generally supported by most developed countries, but many LDC's will surely try (unsuccessfully) to have the WFC agree on specific commitments on particular issues. Given the interdependence among these issues, we cannot allow this to happen without sacrificing our main objective of a new regime for trade in agriculture which permits liberalized market access for our farmers and greater stability in international trade. Since our farmers depend on export markets for the sale of the products of about one out of every three acres cropped in the U.S., this objective is of vital importance to us.

The question of timing of new initiatives is therefore critical. Our chances for success rest mainly on our ability to negotiate new international agreements on these issues. A premature initiative risks rejection (and consequent defeat for the President if he makes it a personal "Nixon Food Plan"). Waiting too long before the WFC convenes and the MTN gets down to serious business would mean we would have to overcome foreign positions which were becoming increasingly firm and unchangeable. Sometime this summer would thus seem about right.

To prepare the substance of U.S. proposals and objectives, CIEP has commissioned two major interagency studies: CIEPSM 30 on alternative schemes for stock policies in commercial trade, and CIEPSM 31 on alternatives for a new U.S. food aid policy and inter-

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national agreements on food aid. The former is about ready for interagency review and for high-level consideration by, perhaps, early March. The latter is due for submission to us by the end of March and high-level consideration in April. The decisions taken at those times will govern our positions and negotiating objectives for the WFC and will be integrated into our trade liberalization strategy for the MTN. (We are also pursuing a less formal inter-agency effort on long-term supply contracts which, as I indicated above, will also figure in the debate on stock policies). We would hope that, by May, we would have developed a reasonably coherent set of proposals for U.S. policy and a negotiating strategy to implement it.

Assuming we accept Deane Hinton's view that it would be well to test the international water on our chances for success before the President commits his personal prestige on the line, we would float some of our ideas in general terms at the June WFC preparatory committee meeting and in private diplomatic channels. If all goes well, the President could then make a policy statement in July, encompassing whatever new domestic initiatives your side comes up with. If our international soundings indicate resistance to certain ideas in our package, we can consider then whether to modify them or try to push them through anyway. In either case, July appears to be the earliest practicable time for a new "Nixon Plan".

CIEP, of course, will continue as prime White House coordinator for the international aspects of this effort, including the definition of policy alternatives and the management of decision-making on them. We should devise at least a workable informal mechanism to assure that our effort moves in parallel with whatever you will do and that we are both working toward mutually reinforcing and compatible objectives. I would welcome any suggestions you have for this.

cc: Deane R. Hinton
Dennis H. Wood
Peter M. Flanigan

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